



**Bureau of East Asian and Pacific Affairs
Statement by Assistant Secretary Christopher R. Hill**

May 26, 2005

Mr. Chairman, members of the Subcommittee on Asia and the Pacific, it is a great pleasure to testify today on the subject of North East Asia, a region of vital concern to the United States. It is a region undergoing enormous changes that require our active engagement. How we manage our relationships there and how we confront the challenges there could affect our interests for generations to come.

Let me review briefly why North East Asia is so vital to us. The region has seen some of the past century's fiercest battles and still includes areas of great potential dangers to the interests of the United States and its allies -- including North Korea and the Taiwan straits. It includes two of our most important treaty allies -- Japan and Korea -- whose increasing participation in regional and global endeavors contributes to regional and global peace and prosperity. It also includes China, one of the world's rising powers. How we move forward in our relationship with China has important implications for U.S. interests.

The region is home to about one-quarter of the Earth's population. U.S. trade with the region totals about half a trillion dollars a year, accounting for over one-fifth of our total trade, and is growing at a rapid clip. The region supports millions of American jobs in all sectors of our economy. China, Japan, and South Korea are perennially among our top seven trading partners, with China and Japan ranking third and fourth after our North American neighbors, Canada and Mexico. Indeed, our trade with China accounts for nearly the same volume of trade as we have with Mexico, and we now import more from China than we do from Mexico.

These critical security, political, and economic ties with North East Asia make it clear that the region is and will remain of vital importance to the United States.

Challenges

Now let me discuss some of the challenges we face in the region.

North Korea

First and foremost, one country in the region -- North Korea -- lives in self-imposed isolation and for decades has pursued nuclear ambitions even as its own people have gone hungry. In addition, the North Korean regime has ignored international standards of human rights in its treatment of its own people. Ambassador Joseph DeTrani recently met with you to discuss our concerns over human rights and refugees, and our efforts, working closely with other concerned nations, to implement the North Korean Human Rights Act.

The China-Japan relationship

Unresolved tensions between China and Japan -- exacerbated by diverging political perspectives as well as differing military and economic priorities -- reemerge from time to time, causing disruptions in the development of a relationship that is of great importance to the region. As we witnessed recently, popular grievances about Japan's wartime legacy -- and Japan's attitude toward that legacy -- periodically erupt in China, most recently over changes to Japanese history textbooks that provoked anti-Japanese violence. While Japan and China are more integrated than ever on the trade front, recent controversies over the Senkaku Islands, East China Sea energy exploration, China's posture toward Taiwan, and China's public opposition to Japan's bid for a permanent seat on the UN Security Council have chilled the relationship. The recent violent demonstrations in China against Japanese diplomatic and business facilities only serve to prolong ill will among neighbors. Disputes between them should be resolved through peaceful dialogue and discussion.

For its part, Japan is clearly focused on coming to terms with the growth of China's economic and political influence in the region and the unanswered questions surrounding the direction of China's political

evolution. At issue as well is China's military modernization, differing interpretations of maritime economic zones, and Chinese incursions into territorial waters -- all of which Japan worries about in the context of its own ability to exert influence in the region and globally.

Healthy China-Japan relations are essential to stability and prosperity in East Asia. The two nations have many common interests, and we encourage stable relations between them and engagement on a full range of issues. Recent senior government discussions between them were useful, but regrettably, a much-anticipated meeting between Prime Minister Koizumi and Vice Premier Wu Yi did not take place last week. We support high-level dialogue between the two countries to work through all concerns.

The Republic of Korea-Japan relationship

In addition to being key alliance partners of the United States, Japan and the Republic of Korea are key partners in the Six-Party process aimed at resolving the North Korea issue. We consult closely and frequently with them both, bilaterally and trilaterally. I've made two trips to the region since becoming Assistant Secretary, and my Korean and Japanese counterparts have called on me here. These ongoing conversations are essential as we look at the future of the Six-Party process and of the region.

Neighbors here and abroad disagree on a variety of issues, and the countries in North East Asia are no exception. These problems have been covered extensively in the press: competing territorial claims, the legacy of history, and economic and trade disputes. ROK Foreign Minister Ban's meeting with Japanese Foreign Minister Machimura in Kyoto in early May showed that these two neighbors are working on resolving their differences. We have urged our two allies and friends to continue to do so and not to allow their differences to escalate. My own belief is that our democratic allies have both the will and the ability to resolve their disputes. But I can assure you, our consultations as part of the Six-Party process and our broader coordination on strategic issues are not affected by these types of controversies, and our cooperation remains strong.

Against this backdrop, U.S. policy

With this complex tapestry of crosscutting issues and interests as a backdrop, I would like to give you an idea of where we are going in our relationships with the countries of the region.

Secretary of State Rice, during her March visit to the region, articulated the goals of our policy toward the region: security, opportunity, freedom. She told an audience in Japan that these goals are linked: "Security shelters the prosperity that opportunity brings; security and prosperity, in turn, allow human creativity to flourish -- but human creativity can only flourish fully in freedom." These three goals shape our policies toward the countries of North East Asia.

Relations with China

One of the key challenges before us -- and especially before the nations of the Asia-Pacific -- is how to adapt to China's emergence as a regional and global power. As Secretary of State Rice said in a March 19 speech in Tokyo, the US, "welcomes the rise of a confident, peaceful and prosperous China...[and wants] China as a global partner, able and willing to match its growing capabilities to its international responsibilities."

We have today a relationship that lets us communicate often -- in remarkably candid and direct fashion, when necessary -- and to address common challenges -- regional and global, economic and political. China has responded in ways that we believe show it understands that it has to do more and become a more responsible regional and global actor. We do have differences with China on a variety of issues, including human rights, non-proliferation, Taiwan, and some aspects of trade and finance, among others. For our part we recognize the importance of handling these issues sensitively but in a way that is consistent with our values and national interests. Let me say again that we intend for our relationship with China to be based on a realistic but positive appraisal of our common interests and the exploration of differences through dialogue, but we will be vigilant in the defense of our interests and those of our friends and allies.

China's WTO accession in 2001 and its implementation of its commitments have generally created more opportunities for many U.S. firms and exporters. U.S. exports to China have grown by 80% since accession, with total global U.S. exports growing just 11% during that same time.

Nonetheless, problems abound in a variety of areas, from lax enforcement of intellectual property rights and limitations on distribution rights to non-tariff barriers in agriculture and a dramatic surge in textiles with the lifting of the Agreement in Textiles and Clothing. The U.S. trade deficit with China was at \$162 billion in 2004 and, showing no sign of decreasing in 2005, is our largest bilateral trade deficit worldwide. We look to China to fully and effectively implement all of its WTO commitments and to take action on key trade and economic concerns -- including its exchange rate -- to further open its market and level the playing field. We are determined to see change and have told that to the highest levels in China. Dialogue is not a substitute for action, fair trade, and market opening. A number of these issues will be discussed at the Joint Commission on Commerce and Trade this summer.

China's leaders say they do not want economic and trade frictions to spill over into other aspects of our growing relationship and my expectation is that can only be the case if we hold fast to our insistence on market opening that will be beneficial to all parties.

China's economic growth and reform have led to expanded personal freedom for China's citizens: travel, employment opportunity, job and housing choices, and access to information. In recent years, China has also passed new criminal and civil laws that provide additional safeguards to citizens, though enforcement of the laws remains inconsistent. Village elections have been carried out in approximately 80% of China's one million villages.

However, the human rights and religious freedom situation in China overall remains poor, as we have documented in our annual Human Rights Report and Report on Religious Freedoms. The Administration -- the President and the Secretary among others -- has made increasing respect for international human rights, individual civil liberties, and religious freedom in China a top priority. We are concerned about the situation in Tibetan regions and urge talks between China and the Dalai Lama. We raise human rights concerns and specific cases with PRC officials on a regular basis, at all levels, here in Washington, in China, and elsewhere, and will continue to do so.

As recently as her March trip to the region, the Secretary discussed the possibilities for increased popular participation in the political process and the extension of personal freedoms for Chinese citizens. She noted how

essential openness is to the success of countries in the 21st century. Openness, she said, is the vanguard of success and some form of open, genuinely representative government in China is necessary if it is “to reap the benefits and meet the challenges of a globalizing world.” We are also committed to promoting the rule of law and good governance in China. Last year we programmed \$13.5 million to advance these goals.

We think it will be important to continue this engagement and to press for concrete, structural reform that will lead to an improvement in the human rights situation on the ground, and will seek all appropriate mechanisms to further these goals.

Strengthening of ties with Japan and Korea

High on our list of priorities is the continuation of our successful efforts to strengthen our ties with Japan and South Korea.

Japan

This Administration came to office with a vision for advancing our relations with Japan toward a fuller, more global partnership. We have continued to expand and deepen our alliance since then through our joint work on reconstruction in Afghanistan and Iraq -- including Japan's unprecedented deployment of Self-Defense Forces to southern Iraq; coordination and cooperation on tsunami relief; and in deepening our bilateral strategic dialogue, including on overseas development assistance. Japan has long been the world's second-largest contributor to the UN and to foreign aid. It deserves, and should have, a larger say in world affairs.

Relations between the U.S. and Japan have never been better. We look to Japan as a bulwark of democracy and free markets globally; Japan looks to us as a friend that can be counted on as a force for good in the world. Reflecting the strength and importance of our relationship, Secretary Rice and Foreign Minister Machimura have launched a ministerial-level Strategic Dialogue, which will be expanded to include Australia. Strengthening such coordination is especially important as we transform our global force posture to secure the prosperity of the world's most dynamic region.

With each passing year we are finding more ways to have a positive impact on the world by acting in concert with Japan. Whether it is helping the victims of disasters, like the Indian Ocean tsunami, rebuilding Afghanistan and Iraq, or countering terrorism and proliferation, we find our common interests taking us toward common goals. In recognition of its leadership in all these areas, the United States strongly supports a permanent seat for Japan on the United Nations Security Council.

Some disagreements, however, are natural in a relationship this broad and this deep. Currently, we have a significant issue with Japan's ban on imports of American beef products. The time has come to resolve this problem. The United States has some of the highest safety standards, including food safety standards, in the world. American beef clearly is safe, and global scientific standards need to be respected.

Republic of Korea

Prominent among the policy successes of the last four years has been the consolidation of our partnership with the Republic of Korea. We share a vision: of democracy, free markets, and a Korea that ultimately becomes whole, free, and at peace. In the past year alone, we have reached agreement to return Yongsan Base, located in the center of Seoul, to the South Korean people. We have begun reducing our troop presence and handing off some tasks formerly performed by U.S. soldiers to their Korean counterparts. Our relationship with South Korea is moving beyond its original security rationale as the nation begins to play a global political role commensurate with its economic stature. In the course of 2004, South Korea became the third-largest troop contributing state to international operations in Iraq. By encouraging appreciation among ROK reformers and younger policymakers of our shared interests, we have grounded more firmly the future of our partnership with a strategic ally. Meanwhile, we are reviewing possible ways to enhance our economic relationship. As with Japan, one of our highest priorities is for South Korea to reopen its market to American beef.

Today, Korean and American forces are serving together to ensure a promising future for Iraq and Afghanistan. The Republic of Korea was one of the early contributors to Operation Iraqi Freedom, and now has approximately 3,200 troops in country, making it the third-largest coalition partner in Iraq. Prior to the Madrid Donors Conference, the Korean

Government had committed \$60 million in humanitarian assistance for Iraq and pledged an additional \$200 million in reconstruction assistance through 2007, of which \$55.5 million has been disbursed. The Iraqi people and the United States are grateful for Korea's contributions to build a new and free Iraq. The people of Afghanistan also greatly appreciate Korea's willingness to contribute personnel and assistance to rebuild that country.

Dealing with North Korea

We continue to seek a peaceful, diplomatic solution to the problem of North Korea's self-imposed isolation, manifested in its programs to obtain nuclear weapons, and consider that the Six-Party Talks offer the best means for resolving this issue. The President has said we do not intend to attack or invade North Korea. Secretary Rice has said it is simply a statement of fact that North Korea is a sovereign state, and we deal with it as such in the Six-Party Talks. As we have testified to the Congress on a number of occasions, during Six-Party plenary and working group meetings the U.S. meets directly with all of the parties, including the DPRK. We have made clear that this practice will continue when the talks resume; there would be opportunity for me to meet directly with my DPRK counterpart, to discuss issues of concern.

We tabled a comprehensive and substantive proposal at the last round of Six-Party Talks, in June 2004. Under that proposal, the DPRK would, as a first step, commit to dismantle all of its nuclear programs in a permanent, thorough, transparent and effectively verifiable manner.

The parties would then reach agreement on a detailed implementation plan requiring, at a minimum, supervised disabling, dismantlement and elimination of all nuclear-related facilities and materials; removal of all nuclear weapons and weapons components, centrifuge and other nuclear parts, fissile material and fuel rods; and a long-term monitoring program.

At the last round of Talks, all parties agreed to meet again by the end of September 2004, and while five of the parties have repeatedly indicated they want the talks to resume as soon as possible, the North Koreans have so far refused to come back to the table, citing a variety of pretexts. As we have repeatedly made clear to the North, the Six-Party Talks are the best way forward for North Korea to address the concerns of the international community about its nuclear program and to end its international isolation.

Our proposal remains on the table, and we are prepared to discuss it in detail at the next round of talks. If North Korea ultimately refuses to return to the talks, we will consult closely with our allies in the region on other options.

Our hope is that North Korea will, through the Six-Party process, come to the strategic decision to dismantle its nuclear programs verifiably and irreversibly and normalize its relations with the international community. As Secretary Rice has said, “The world has given North Korea a way out, and we hope they will take that way out.” Resolving the nuclear issue can open the door to improved relations with the U.S. North Korea needs to understand that it is increasingly an isolated, out-of-step country that is a threat to peace and prosperity in a region where most of the trends are going in the opposite direction, that is, to greater regional cooperation; openness to transnational flows of goods, capital, people, technology and investment; and integration with the world.

Of course, to achieve full integration into the region and a wholly transformed relationship with the United States, North Korea must take other steps in addition to giving up its nuclear ambitions. It also needs to change its behavior on human rights, address the issues underlying its appearance on the U.S. list of states sponsoring terrorism, eliminate its illegal weapons of mass destruction programs, put an end to the proliferation of missiles and missile-related technology, and adopt a less provocative conventional force disposition.

Restructuring of our global defense posture

Changes in our relations with major Asian allies reflect the priorities of our Global Defense Posture Review, which aims to improve our and others’ reactions to emerging threats while we maintain the ability to address traditional ones. We are taking advantage of advances in technology that have multiplied the combat power of our individual soldiers to reduce our military footprint in Asia. At the same time, we are using our increased mobility to guarantee that we will be present when needed to help our friends and allies.

Multilateral engagement

Regional arrangements further hold the promise of increasing North East Asia’s influence on the world stage. The U.S. has been deeply involved

with countries of the region in the multilateral context of APEC and the ASEAN Regional Forum and as an increasingly active partner with ASEAN. We are working to bolster those organizations' effectiveness.

Strengthening of relationship with Mongolia

I would be remiss if I did not highlight our growing relationship with Mongolia. In July 2004, when President Bagabandi met with President Bush in Washington, they "declared a new era of cooperation and comprehensive partnership...based on shared values and common strategic interests." Mongolia has been a steadfast partner in the Global War on Terror. Mongolia has contributed four rotations of troops to Operation Iraqi Freedom and also participates in Operation Enduring Freedom in Afghanistan. Our military assistance programs are helping Mongolia secure its borders against transnational crime and terrorism, train for international peacekeeping operations, and build a cadre of pro-U.S. reformers in the most critical leadership positions in the armed forces.

Mongolia has embraced democratic and free-market values. On the former, I am pleased to take note of the election of former Prime Minister and Speaker of the Parliament Enkhbayar as President of Mongolia May 22. This was the fourth election for President in the country's 16-year democratic experiment, and we look forward to working with Mr. Enkhbayar during his term of office. Our economic assistance funds are helping Mongolia reduce poverty and create sustainable, market-led economic growth by encouraging further privatization and improved conditions for foreign investment, and building more transparent, democratic institutions that address corruption and expand the role of civil society. In recognition of Mongolia's strong performance in the areas of ruling justly, investing in their people, and supporting economic freedom, the Millennium Challenge Corporation has made Mongolia one of only 17 countries currently eligible for its development funding program.

Mongolia has also been active in North East Asia Security forums like the ASEAN Regional Forum (ARF), Council for Security Cooperation in Asia Pacific (CSCAP), and Shanghai Cooperation Organization, where they are observers. Mongolia has fostered constructive dialogue on difficult issues in the ARF Intersessional Group and will host a meeting on

“Changing Security Perceptions” in June to enhance confidence-building measures in the region.

Conclusion

Let me conclude with this thought: the importance of United States involvement with North East Asia cannot be overstated. North East Asia is vital to the interests of the United States not only in the Asia-Pacific context, but globally. And the United States continues to play a vital role in helping the countries of the region to continue and enhance their success. Japan and South Korea are established economic powers; China is playing a larger role on the global political and economic stage; and the drama of the situation in North Korea has captured the attention of the world. We must dedicate our time and resources to maintaining and improving our relations with the countries of the region, and supporting positive relations among them, as we seek to enhance stability and increase prosperity and liberty. One thing I can assure you -- we are ready to face these challenges and to seek opportunities to influence the direction of the region for the better.